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NATIONAL INTELLIGENCE DAILY CABLE

Monday 23 October 1978

CG NIDC 78/247



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Approved For Release 2005/08/17 : CIA-RDP79T00975A030900010036-9

Approved For Release 2005/08/17 : CIA-RDP79T00975A030900010036-9

National Intelligence Daily Cable for Monday, 23 October 1978

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The NID Cable is for the purpose of informing senior US officials.

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CONTENTS

LEBANON: Sudanese Forces Remain

Page 1

CHINA: Foreign Economic Policy

Page 1

25X1

LEBANON: Sudanese Forces Remain

25X1 [] Sudan's President Numayri announced over the weekend that Sudanese forces assigned to the Arab Deterrent Force in Lebanon would remain in that country for three months.

25X1 [] Since September, Numayri has been considering withdrawing his troops because of the financial strain of their mission and Syrian domination of the peacekeeping force.

25X1 [] A Sudanese withdrawal would have seriously complicated efforts to implement the new security plan in Beirut. Numayri made his decision as a result of urgings by the US and Saudi Arabia. Saudi troops assigned to the peacekeeping force are manning positions in Beirut that the Sudanese were supposed to take up following the limited Syrian withdrawal from the Christian sector of the city. []

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CHINA: Foreign Economic Policy

25X1 [] China is exploring various commercial arrangements and economic cooperation projects involving long-term credits and entry into joint ventures in an effort to spur the acquisition of foreign technology. Self-reliance is still proclaimed as a fundamental national policy, but the Chinese are stretching its definition to embrace almost any economic activity that does not openly infringe national sovereignty. These new moves would not have been possible in the years of political turmoil during Mao's last illness. Many problems nonetheless still stand in the way of full-scale implementation of these projects.

25X1 [] Although most of the new openings are still in the negotiating stage, the Chinese have reportedly agreed in principle to accept loans for capital purchases from the Japan Export-Import Bank and from British and West German banks. These loans may eventually total several billion dollars.

25X1 [] The Chinese have discussed barter and compensation deals during the last few months with a number of Western firms but have signed no contracts. Proposals have included repayment in kind for projects in coal mining, petrochemicals, metals, electronic components, and consumer goods.

25X1 [] The Chinese appear most interested in joint ventures with Western oil companies for offshore oil development. They are willing to permit oil companies to develop offshore oil resources on a risk capital basis in return for a share of the output.

25X1 [] The Chinese have told Western firms that joint ownership of manufacturing facilities will be permitted only in Hong Kong and Macao and that these facilities will operate through Chinese fronts. For plants located in China, only compensation deals will be considered. []

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25X1 [] In view of the multibillion dollar capital import program now under way, China will require large amounts of import financing on longer terms. Ultimately, the Chinese will need higher levels of exports to repay the credits; increased exports through cooperation with Western firms are thus appealing to the Chinese, as are barter and compensation deals because the import costs are self-liquidating.

25X1 [] China and its partners will face problems in implementing these projects on any scale. The Chinese may, for instance, be unwilling to permit enough managerial and technical control by the foreign partner to assure either adequate levels of output or high quality. The rapidity of China's sizable shift in trade and financial policies has given the leadership little time to think through all the implications, and disappointments on both sides are likely as negotiations drag on. []

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Next 3 Page(s) In Document Exempt

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